CBRE
CB RICHARD ELLIS

MarketView
Sacramento Retail

FOURTH QUARTER 2007

QUICK STATS

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	7.3%	↑	↑
Net Absorption*	670,371 sf	↑	↓
Construction	1,604,304 sf	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

TRENDS

- The overall market vacancy rate remained stable. However, vacancy among the small shop space increased slightly this quarter.
- Activity in the small shop space in both anchored and unanchored centers slowed this year, a result of high lease rates and NNN fees, the mortgage crunch, and declining consumer spending.
- Activity in the retail sector slowed from the record pace seen over the past five years.
- Absorption remained stable as big box retailers continued to occupy space throughout the market.
- Lease rates will remain stable in well located, anchored centers. However, lease rates will soften in unanchored centers.

MARKET OVERVIEW

Home to the California State Capital, the Sacramento Region is known for its location and proximity to world famous destinations like the Pacific Ocean, Sierra Nevada Mountains, Napa Valley, San Francisco and Los Angles. The city has experienced strong population and steady job growth over the last few decades. One of the strongest economies in California, Sacramento offers an educated workforce, relatively lower housing costs, and excellent schools.

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Despite the slowing housing market the retail market experienced a fourth quarter net absorption of 670,000 positive square feet. Year to date net absorption was over 3 million positive square feet reflecting the steady activity of national and local tenants. The overall vacancy rate for the quarter was 7.3%, up slightly from last quarter (7.1%) and up from the 6.2% at this time last year. The increase in vacancy can be attributed to new construction coming on-line with vacant space at the time of completion and an increased vacancy among the small shop users.

Overall asking lease rates in the large growth areas average from $2.18-$2.77 per square foot, NNN in larger centers. Lease rates in the unanchored centers have softened approximately 10-15%. Anchored centers saw firmer rents at $2.50-$2.75 per square foot, NNN for shop space.

Construction activity in the region remained fairly strong with 798,000 square feet completed during the quarter. Lincoln saw the completion of two major shopping centers and has an additional 221,000 square feet of retail shops under construction.

In 2008 watch for these new tenants to expand in the Sacramento Region: Tesco – Fresh and Easy Grocery Stores (new to the market), Drug Stores (CVS, new to the market), Banks (WaMu, BofA), Dick's Sporting Goods (new to the market) and Outdoor Stores (Sportsman Warehouse). Also watch for new "Lifestyle" centers: The Fountains in Roseville next to the Galleria Mall and the Palladio at Broadstone in Folsom.

The Sacramento retail market now totals over 38.5 million square feet.

Dominant growth areas:
Roseville/Rocklin
Folsom/El Dorado Hills
Laguna/Elk Grove
North Natomas

TOP CBRE TRANSACTIONS - FOURTH QUARTER

Our fourth quarter activity was excellent, highlighted by the following transactions:

RETAIL SALE TRANSACTIONS

Property: Calvine Firestone
Address: Orchard Loop Lane (Parcels 1 & 3), Elk Grove
Buyer: FS-Elk Grove, CA-1, LP
Seller: Calvine Associates, LLC
Square Footage: 1 acre
Comments: Represented by: Chris Campbell, Craig Burress, CBRE

Property: Freestanding Retail
Address: 4830 J Street, Sacramento
Buyer: Aspen Properties, LLC
Seller: Petrovich Development
Square Footage: ±16,863
Comments: Represented by: John Dubois, Jon Gianulias, Mark Denholm, CBRE

RETAIL LEASE TRANSACTIONS

Address: Rock Creek Plaza, Auburn
Tenant: Best Buy
Square Footage: ±30,342
Comments: Represented by: Jon Schultz, Rick Martinez, Josh Schmidt, Heath Kastner, CBRE

Address: 5400 Date Avenue, Sacramento
Tenant: Cycle Gear
Square Footage: ±26,000
Comments: Represented by: Jon Schultz, Rick Martinez, Josh Schmidt, Heath Kastner, CBRE

Address: 5347 Sunrise Boulevard, Fair Oaks
Tenant: Lamps Plus
Square Footage: ±10,867
Comments: Represented by: Craig Burress, Chris Campbell, CBRE

Area	Submarket	Leasable Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Net Absorption	YTD Net Absorption	Under Constr.	Avg. Asking Rate*
11	Arden / Watt / Howe	3,094,823	153,862	5.0%	(7,505)	(13,150)	0	$1.63
27A	Lincoln	1,021,051	66,015	6.5%	590,376	679,342	221,775	$2.99
27B	Auburn / Loomis	912,252	13,940	1.5%	13,000	5,248	0	$2.25
12	Carmichael	1,103,806	48,415	4.4%	3,518	36,043	0	$1.35
14 / 15	Citrus Heights / Fair Oaks	3,697,540	300,871	8.1%	(89,207)	(58,288)	0	$1.35
36	Folsom / El Dorado Hills	4,534,469	269,030	5.9%	21,562	912,701	184,039	$2.77
32	Greenhaven / Pocket	384,888	16,250	4.2%	(253)	(4,561)	0	$1.94
16	Hwy 50 / Rancho Cordova / Rosemont	2,636,970	374,532	14.2%	34,678	60,022	302,964	$1.53
20	Laguna / Elk Grove	3,730,780	214,885	5.8%	62,461	324,250	0	$2.76
13	North Highlands	2,034,989	203,357	10.0%	(12,680)	67,499	0	$1.62
9A	Natomas	2,143,697	183,547	8.6%	(47,326)	15,083	65,970	$2.18
25 / 26	Roseville / Rocklin	6,901,346	653,056	9.5%	(67,379)	674,576	340,000	$2.55
9B	South Natomas	589,377	63,951	10.9%	4,200	(33,108)	0	$2.05
17	South Sacramento	4,001,007	193,068	4.8%	16,926	(42,792)	489,556	$1.06
18	West Sacramento / Davis	1,731,310	48,020	2.8%	148,000	447,568	0	$2.92
	MARKET TOTAL	**38,518,305**	**2,802,799**	**7.3%**	**670,371**	**3,070,433**	**1,604,304**	
	Type							
	Community Centers	14,338,892	1,203,801	8.4%	(186,816)	110,650	561,739	
	Freestanding	4,707,517	214,071	4.5%	78,576	468,455	0	
	Neighborhood Centers	12,434,153	1,069,284	8.6%	355,633	1,101,844	213,009	
	Power Centers	4,444,913	104,280	2.3%	430,712	425,734	0	
	Regional Centers	1,000,000	10,200	1.0%	0	989,800	489,556	
	Specialty/Life Style Centers	1,100,761	85,072	7.7%	(1,247)	(8,962)	340,000	
	Strip Centers	492,069	116,091	23.6%	(6,487)	(17,088)	0	
	MARKET TOTAL	**38,518,305**	**2,802,799**	**7.3%**	**670,371**	**3,070,433**	**1,604,304**	

Only retail properties over 50,000 square feet, excluding Regional Malls, are included in this survey.
*Average asking lease rate by submarket is for in-line space in existing Community Centers. Lease rates can vary based on the location, age, and type of the property.

MARKET OUTLOOK

The retail market is still going through a transition. When you look at the total numbers at the end of the fourth quarter, 2007 was a pretty good year for retail in our region. Absorption was up considerably with 1,042,430 sq ft. for 2006 versus 3,070,433 sq. ft. for 2007. However, the total square footage for projects under construction was down - comparing 2,766,779 sq. ft. for last year with 1,604,304 sq. ft. for 2007.

Average rental rates in the newer centers were down slightly. Shop space in the growth areas came in at $2.00 per square foot to $2.75 per sq. ft., NNN, with a few exceptions for end caps and freestanding buildings. For the infill areas in Sacramento, the shop space rents averaged $1.50 to $2.15 per sq. ft., NNN.

In looking at the vacancy rates, the end of 2006 vacancy was at 6.2% for the region and at the end of 2007, 7.3%. Rancho Cordova, North Highlands, and South Natomas had double digit vacancies and affected the overall vacancy rate slightly this year. The growth areas continue to grow although we are seeing a construction slow down in the four larger areas of Folsom, Laguna/Elk Grove, North Natomas, and Roseville/Rocklin.

Several new and very exciting projects are currently under construction. In Roseville, The Fountains Lifestyle Center, across from the Galleria Mall is under construction for a Summer 2008 opening; the Palladio Lifestyle Center in Folsom is scheduled for an opening in Summer/Fall 2008; the 400,000 sq. ft. addition to the existing Galleria Mall in Roseville; and of course, the new General Growth Mall on Highway 99 in Elk Grove. This new open-air project should open in late 2008 or early 2009.

2007 was a challenging year due to world conditions and the sub prime issues affecting residential housing. The housing situation is likely to continue through 2008, however, in the retail world, Sacramento held its own. The overall numbers were down only slightly. Sacramento is still a much in demand region for retailers and although the housing situation will slow us down temporarily, our unlimited potential for growth in all directions is promising. We hope 2008 is a good year for you.

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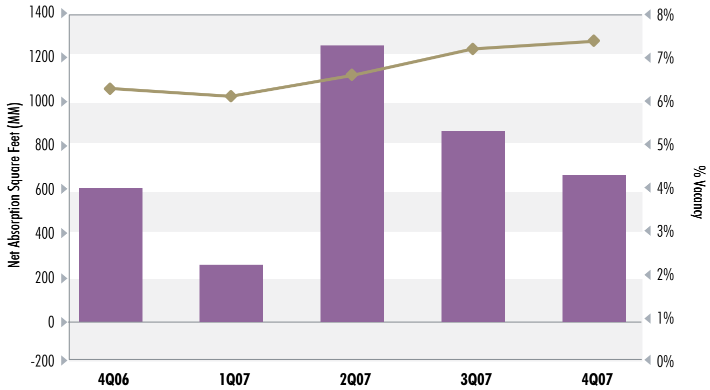
VACANCY/NET ABSORPTION



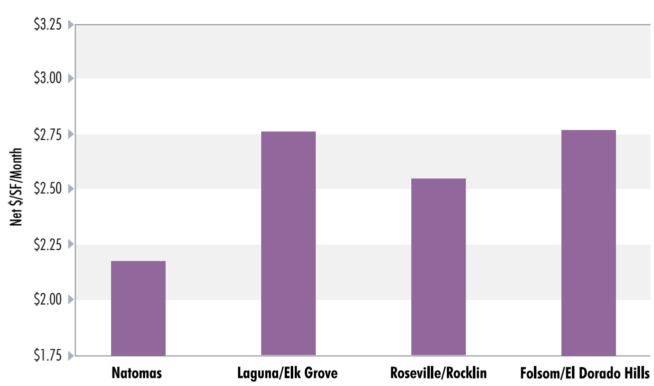
VACANCY

The fourth quarter reported a vacancy rate of 7.3%, up from the 6.2% at the same time period last year and up from the 7.1% from the previous quarter. The slight rise in vacancy can be attributed to under construction projects coming on-line with several spaces vacant at the time of completion. Although the vacancy rate has been on a slight rise for the past four quarters, net absorption has been positive for the past four consecutive quarters showing a continued flow of tenant activity throughout the market.

NET ABSORPTION

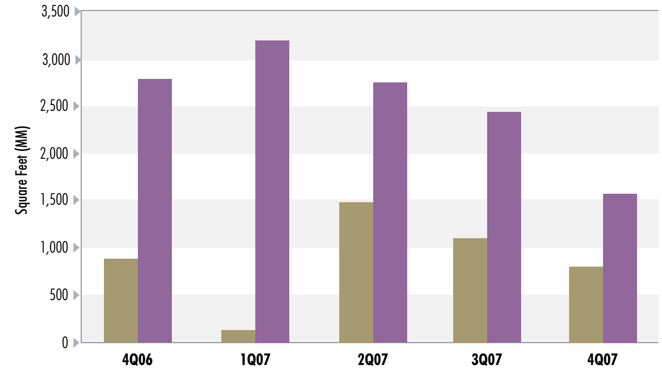
Net absorption remained stable as big box retailers continued to occupy space throughout the region. There were 670,371 positive square feet of net absorption at the end of the fourth quarter. Year to date net absorption totaled over 3 million square feet. West Sacramento had the highest amount of net absorption due to Home Depot coming on-line during the quarter followed by the Laguna/Elk Grove submarket.

FOURTH QUARTER GROWTH AREA ASKING RENTS



Average asking lease rates for the growth areas were down slightly from the previous quarter. Average asking lease rates for shop space were $2.18-$2.77 per square foot, NNN for the fourth quarter. The Folsom/El Dorado Hills submarket had the highest average asking lease rate of $2.77 per square foot, NNN while the Natomas submarket had the lowest average asking lease rate of $2.18 per square foot, NNN. Occasionally rents were seen in the $3.00-$3.25 per square foot range, but this figure represents the very top percentage of the rent range. Lease rates will remain stable in well located, anchored centers.

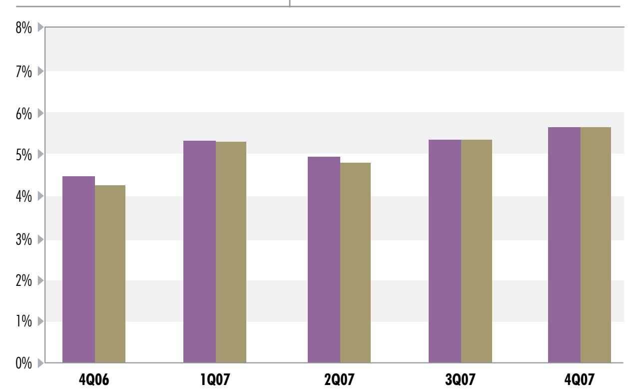
CONSTRUCTION ACTIVITY



Although there has been a slow down in residential activity and a decline in consumer spending, construction activity was strong for the fourth quater for retail as 798,000 square feet of retail shopping centers were completed. Two large projects were completed in Lincoln during the fourth quarter, Lowe's at Parkway Plaza off of Highway 65 and Lincoln Crossing anchored by Home Depot and Target. Home Depot in West Sacramento opened at Riverpoint Marketplace joining IKEA and Super Wal-Mart.

There is currently 1.6 million square feet under construction. Many of these new projects are due to open in the summer of 2008.

UNEMPLOYMENT RATE



In November 2007, the California Employment Development Department reported 5.6% unemployment rate for the Sacramento area; up 0.2% from August 2007 and 1.3.% above last year's estimate of 4.3%. The unemployment rate for California is 5.6% while the national rate is lower at 4.5%.

In the past year, the number of jobs in the Sacramento area has increased by 6,600. This 0.7% increase is due in large part to the government, which added 6,000 jobs at the federal, state and local levels. The slowdown in the housing market resulted in the loss of 7,200 construction jobs and 3,100 financial activities jobs.

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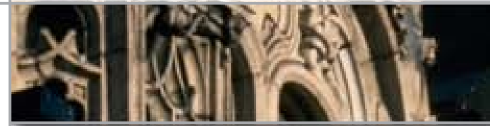
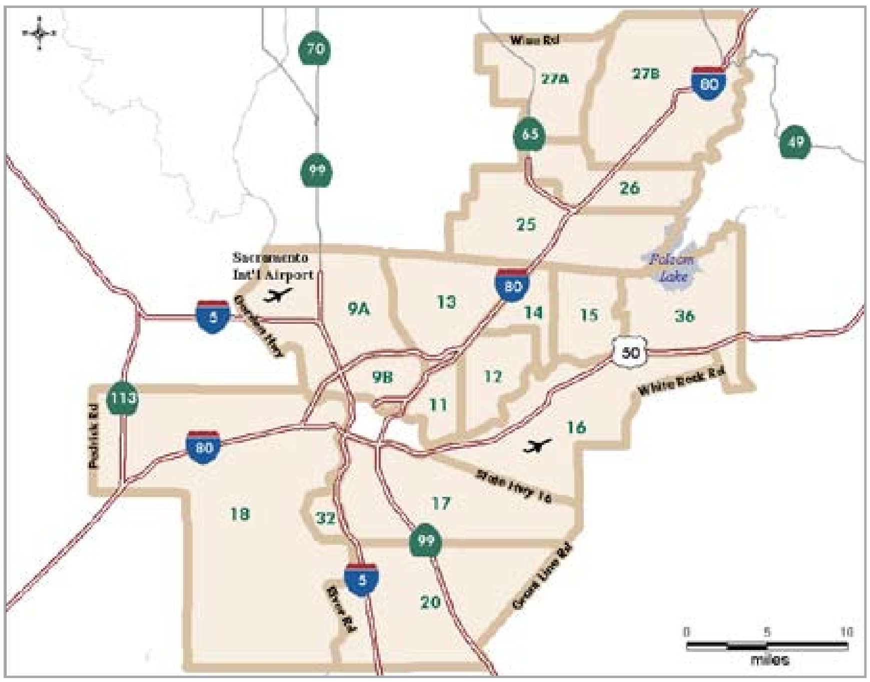


SUBMARKET AREA DESCRIPTIONS

LOCATION / MARKET AREA		MARKET GLA	MARKET SHARE
11	ARDEN / WATT / HOWE	3.0 million SF	8.0%
27A	LINCOLN	1 million SF	2.7%
27B	AUBURN / LOOMIS	0.9 million SF	2.4%
12	CARMICHAEL	1.1 million SF	2.9%
14/15	CITRUS HEIGHTS / FAIR OAKS	3.6 million SF	9.6%
36	FOLSOM / EL DORADO HILLS / CAMERON PARK	4.5 million SF	11.8%
32	GREENHAVEN / POCKET	0.3 million SF	1.0%
16	HWY 50 / RANCHO CORDOVA / ROSEMONT	2.6 million SF	6.8%
20	LAGUNA / ELK GROVE	3.7 million SF	9.7%
13	NORTH HIGHLANDS	2.0 million SF	5.3%
9A	NATOMAS	2.1 million SF	5.6%
25/26	ROSEVILLE / ROCKLIN	6.9 million SF	17.9%
9B	SOUTH NATOMAS	0.5 million SF	1.5%
17	SOUTH SACRAMENTO	4.0 million SF	10.4%
18	WEST SACRAMENTO / DAVIS	1.7 million SF	4.5%



LOCAL OFFICES

SACRAMENTO
555 Capitol Mall, Suite 100
Sacramento, CA 95814
1.916.446.6800

ROSEVILLE
1512 Eureka Road, Suite 100
Roseville, CA 95661
1.916.781.2400

FRESNO
10 River Park Place East
Fresno, CA 93720-1531
1.559.433.3500

OAKLAND
155 Grand Avenue, Suite 100
Oakland, CA 94612
1.510.874.1900

PLEASANTON
5000 Hopyard Road, Suite 180
Pleasanton, CA 94588
1.925.251.4600

RENO
6980 Sierra Center Pkwy, Suite 160
Reno, NV 89511
1.775.356.6118

STOCKTON
1776 West March Lane, Suite 170
Stockton, CA 95207
1.209.473.7800

SAN FRANCISCO DOWNTOWN
275 Battery Street, Suite 1300
San Francisco, CA 94111
1.415.772.0123

SAN FRANCISCO PENINSULA
950 Tower Lane, Suite 870
Foster City, CA 94404
1.650.577.2900

SILICON VALLEY
226 Airport Parkway, Suite 150
San Jose, CA 95110
1.408.453.7400

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TERMINOLOGY

AVERAGE ASKING DIRECT LEASE RATE: The rate calculated by multiplying the asking lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with leases for all buildings in the summary. Direct leases only; exclude sublease space. Rates are reported $ per Sq.Ft. per month.

GROSS LEASABLE AREA: The total leasable area in the property designed for tenants' occupancy.

MARKET COVERAGE: Includes all competitive retail centers 50,000 square feet or greater of Gross Leasable Area excluding regional malls.

NET ABSORPTION: The change in Occupied Square Feet from one period to the next.

NET LEASES: Includes all lease types whereby the Tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

OCCUPIED SQUARE FEET: GLA not considered vacant.

UNDER CONSTRUCTION: Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANCY RATE: Vacant Square Feet divided by the GLA.

VACANT SQUARE FEET: Available GLA which is either physically vacant or immediately available.

CENTER TYPE

STRIP CENTER: A center unanchored by a large tenant and consisting of multiple smaller tenants; it can be national, regional, or local in nature. The gross leasable area is typically less than 50,000 square feet.

NEIGHBORHOOD CENTER: A center that provides for the sale of convenience goods (foods, drugs, etc.) and personal services (laundry, dry cleaning, etc.), for day-to-day living needs of the immediate neighborhood. A supermarket and drug store are usually the anchor tenants. A neighborhood center typically ranges from 80,000 to 130,000 square feet of gross leasable area.

COMMUNITY CENTER: A shopping center which offers a wider range of retail categories such as soft goods, apparel, hard lines, hardware, appliances, etc., rather than a neighborhood center. A community center is usually built around a junior department store, variety store or discount department store in addition to a supermarket. The size of a community center typically ranges from 100,000 to over 300,000 square feet of gross leasable area.

POWER CENTER: Typically anchored by three or more "big box" retailers, and further differs from a community center by drawing shoppers from a wider geographic area. A power center usually ranges in size from 250,000 to over 1,000,000 square feet of gross leasable area.

SPECIALTY CENTER: A retail center which does not fit into the typical definition of neighborhood or community center due to a non-traditional anchor. Specialty centers can be built around a variety of themes, including factory outlet stores, fashion and entertainment.

REGIONAL MALL: Provides a broad spectrum of retail categories including general merchandise, apparel, furniture and home furnishings in full depth and variety. Regional Malls are built around at least two full-line department stores, each with a minimum gross leasable area of 100,000 square feet. Regional Malls are typically upwards of 1,000,000 square feet in size. It should be noted that there are currently 4 Regional Malls in the Sacramento area which total approximately 4,000,000 square feet of gross leasable area.

For more information regarding the MarketView, please contact:
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